

Personnel Director

6 January 1950

Acting Chief, Special Support Staff

Hazardous Pay

Reference: Memorandum of same subject dated 21 November 1949 to Executive from Personnel Director.

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1. For the purpose of discussing Hazardous Pay, two meetings were held, one with representative Foreign Division Chiefs of OSO including Mr. [redacted] and the second with Mr. [redacted] of OPC. All were given the opportunity to review the initiating memorandum of 21 November 1949. The consensus of those present, including representatives of the Employees Division and the Finance Division of SSB, was that, contrary to the initiating memorandum of the Personnel Director, the "negative" method of compensating employees for hazardous duty might be preferable to the "positive" method of increased cash compensation. The positive method of granting grade increases or percentage wage bonus for hazardous duty has the following disadvantages and shortcomings:

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(a) The cost to the Agency will be very great unless the benefits are limited to a very few persons enduring extremely hazardous duties.

(b) The short term benefits of additional compensation are of little benefit to the employee when viewed in terms of imprisonment, physical disability or loss of life.

(c) The direct benefits of cash bonuses tends to attract opportunists rather than create a staff of properly motivated career employees.

(d) The administrative machinery to properly initiate, effectuate, and adjudicate a cash incentive plan would be most exhaustive if such a program were to be effectively, equitably and economically carried out.

2. For these reasons the consensus was that further study should be made of broader forms of hazardous duty compensation which will not only avoid the aforementioned objections, but which seem to more adequately fulfill basic objectives and further, which tend to contribute to the creation of a properly motivated career service. Specific forms in which it is suggested that inducements and protection be provided are as follows:

(a) Supplementary credit for overseas duty toward retirement. A suggested basis is three years retirement credit for each two years

service overseas. An alternative (perhaps temporary pending appropriate legislation) would be for CIA to purchase additional annuity benefits for the employee at the rate of 50% of the employee's annual contribution. This, however, would only increase the employee's retirement annuity without shortening the basic service requirement. Similarly, various other alternatives are possible under which the employee may or may not have to bear the increased cost of accelerated retirement service credits.

(b) The establishment of a \$10,000.00 death and/or disability insurance program. For reasons of security, economy and simplified administration this should be underwritten by the Agency without contribution by the employee.

(c) The establishment of a Hospitalization Insurance program underwritten by the Agency for all overseas employees effective up to two years after separation to cover latent diseases.

(d) The establishment of a board to award in advance or retroactively base pay differentials of 10, 20, and 30% in specific cases of extreme hazard. It is recommended that the Board be given final and absolute authority to preclude the necessity for appeal procedures.

3. Although a program for the provision of incentives and protection to employees should be based upon both its tangible and intangible effects and costs, it is undoubtedly true that the dollar cost to this Agency will be a major factor. For this reason there is a statistical table attached which attempts to estimate the costs of the various proposals made.

(a) Base pay hazardous duty differential cost.

Average base salary of overseas employees (current payrolls) is \$4850. Accordingly annual average cost of base pay percentage bonuses per employee would be as follows:

\$4850.00	@ 10%	= \$ 485.00
\$4850.00	@ 20%	= \$ 970.00
\$4850.00	@ 30%	= \$1455.00

(b) Cost to Agency of 50% increased retirement.

Average base salary of overseas employee (current payrolls) is \$4850.00

$\$4850.00 \times 6\% \times 50\% = \145.50 per average employee per year.

(c) Commercial cost of a \$10,000.00 life insurance policy per annum with double indemnity for accidental death.

\$150.00 per year per employee

Based upon current rates of War Agencies Protective Association, physical disability clauses would probably cost an additional \$25.00 per year.

(d) Hospitalization expense:

Single	@	\$19.20 per year
Married	@ \$4.75	\$57.00 per year
Family	@ \$6.00	\$72.00 per year

(Based on current rates of Hospitalization Plan in effect.)

4. The data presented in the tabulation referred to above is, of course, only a very rough approximation. The rates indicated for insurance and hospitalization are current commercial rates which could possibly be materially reduced by negotiation with Insurance Companies on the basis of broad coverage. On the other hand, it might be possible for this Agency to underwrite the entire insurance program at a greatly reduced cost. In general, a comparison of the probable total costs of increased retirement, death and disability insurance and hospitalization indicates that they will probably be considerably less than the cost of a percentage bonus system.

5. In conclusion it is recommended that further studies be made of the general problem of hazardous duty compensations, incentives and protections. This office would be interested in conducting or assisting in the conduct of additional studies.

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